Cummings, Democrats Condemn “Free” Gulf Oil

Committee hearing reveals $53 billion in tax-free revenue which could be easily recovered.

(Washington, DC) – Congressman Elijah E. Cummings (MD-07), Ranking Member of the House Committee on Oversight and Government Reform (OGR), today joined Committee Democrats to focus on a massive amount of revenue being lost by the United States Government, thanks to shoddy legislation. Cummings suggested a legislative solution to that loss and requested the help of OGR Chairman Darrell Issa (CA-49) to ensure that solution passes smoothly through the House of Representatives.

“We’re being cheated,” said Cummings.

In a new report, discussed at the Thursday hearing, the Government Accountability Office concluded that the federal government is unable to ensure that it is "receiving a fair return on the production and sale of oil and gas produced from federal leases,” particularly on oil and gas from the Gulf of Mexico.

“[R]oyalty relief, granted on leases issued in the deep water areas of the Gulf of Mexico from 1996 to 2000 ... could result in $21 billion to $53 billion in lost revenue to the federal government, compared with what it would have received without these provisions,” the GAO report indicated.

At the hearing, Ryan Alexander, President of Taxpayers for Common Sense said simply, “Congress can fix this.”

“In a time when the poor can’t pay for their heating fuel, but oil corporations are making the largest profits in the history of business, I find this reprehensible,” said Cummings. “I will work as hard as I possibly can to make sure this travesty is addressed and that the American people receive a fair-market value for the right to take oil out of their land and water and to sell it for massive profit.”

At the hearing Thursday, Cummings called on Chairman Issa to support legislation which would change this policy of lower rates.

In GAO's High-Risk Report issued last month, GAO designated only one new high-risk area: "Management of Federal Oil and Gas Resources." GAO reported "numerous instances in which oil and gas production data were missing or sales data appeared to be erroneous." In one case, GAO examined royalty payment reports for oil and gas leases in the Gulf of Mexico in fiscal years 2006 and 2007 and concluded that more than 5 percent of these royalty reports from oil and gas companies were simply "missing" and that these deficiencies were "potentially resulting in $117 million in uncollected royalties."

Although GAO did not estimate overall losses to the U.S. taxpayer, GAO's testing on data during this sample time period indicated that the amounts are significant.

-30-